# RABUN COUNTY WATER AND SEWER AUTHORITY

## CLAYTON, GEORGIA

## FINANCIAL STATEMENTS

## (WITH INDEPENDENT AUDITOR'S REPORT)

**Fiscal Year Ended**

**JUNE 30, 2024**

**RABUN COUNTY WATER AND SEWER AUTHORITY**
**CLAYTON, GEORGIA**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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INDEPENDENT AUDITOR'S REPORT

December 19, 2024

To the Members of the Board
Rabun County Water and Sewer Authority
Clayton, Georgia

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the business-type activities of Rabun County Water and Sewer Authority as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Rabun County Water and Sewer Authority, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Rabun County Water and Sewer Authority and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, the Authority has recorded a change in accounting principle according to GASB Statement 101, "*Compensated Absences.*" Our opinions are not modified with respect to these matters.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rabun County Water and Sewer Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted audit standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rabun County Water and Sewer Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rabun County Water and Sewer Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the financial statements is not affected by this missing information.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2024, on our consideration of the Rabun County Water and Sewer Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Rabun County Water and Sewer Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rabun County Water and Sewer Authority's internal control over financial reporting and compliance.

Bates, Carter & Co., LLP

# RABUN COUNTY WATER AND SEWER AUTHORITY
## STATEMENT OF NET POSITION
## PROPRIETARY FUND
## JUNE 30, 2024

| | BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND | |
|---|---|---|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | $ | 250,914 |
| Receivables - trade net of allowance | | 895,662 |
| Prepaid expenses | | 46,521 |
| Restricted: | | |
| Cash restricted - revenue bond | | 17,850 |
| Total Current Assets | | 1,210,947 |
| | | |
| Noncurrent Assets | | |
| Capital Assets: | | |
| Capital assets, non-depreciable | | 328,068 |
| Capital assets, depreciable | | 27,566,195 |
| Less accumulated depreciation | | (8,738,957) |
| Total Capital Assets, net | | 19,155,306 |
| | | |
| Total Noncurrent Assets | | 19,155,306 |
| | | |
| TOTAL ASSETS | | 20,366,253 |

The accompanying notes are an integral part of this statement

**RABUN COUNTY WATER AND SEWER AUTHORITY**
**STATEMENT OF NET POSITION**
**PROPRIETARY FUND**
**JUNE 30, 2024**

| *(cont.)* | **BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND** |
|---|---|
| LIABILITIES | |
| Current Liabilities | |
| Accounts payable | 351,656 |
| Accrued payroll withholdings | 40,647 |
| Customer deposits | 402,170 |
| Funds held in trust | 231,571 |
| Financed purchases, current | 26,714 |
| Intergovernmental payable | 200,000 |
| Compensated absences payable, current | 31,433 |
| Current liabilities payable from restricted assets: | |
| Revenue bonds from direct borrowings | 151,559 |
| Total Current Liabilities | 1,435,750 |
| | |
| Long-Term Liabilities | |
| Financed purchases | 26,953 |
| Intergovernmental payable | 600,000 |
| Revenue bonds from direct borrowings | 2,128,705 |
| Compensated absences payable | 47,149 |
| Total Long-term Liabilities | 2,802,807 |
| | |
| TOTAL LIABILITIES | 4,238,557 |
| | |
| NET POSITION | |
| Net investment in capital assets | 16,021,376 |
| Restricted for: | |
| Debt service | 17,850 |
| Unrestricted net position | 88,470 |
| TOTAL NET POSITION | $ 16,127,696 |

The accompanying notes are an integral part of this statement

# RABUN COUNTY WATER AND SEWER AUTHORITY
## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
## PROPRIETARY FUND
## Year Ended JUNE 30, 2024

| | | |
|---|---|---|
| Operating revenues | | |
| Pledged as security for revenue bonds: | | |
| Charges for water service | $ | 3,169,628 |
| Charges for sewer service | | 698,242 |
| Water tap on fee - cost | | 66,808 |
| Sewer tap on fees - cost | | 5,637 |
| Intergovernmental operating revenues | | 222,500 |
| Total operating revenues | | 4,162,815 |
| Operating expenses | | |
| Depreciation | | 845,659 |
| Engineering | | 27,230 |
| Insurance | | 82,008 |
| Other service and charges | | 426,684 |
| Professional fees | | 234,638 |
| Repairs and maintenance | | 756,568 |
| Salaries and benefits | | 1,643,273 |
| Utilities | | 524,166 |
| Total operating expenses | | 4,540,226 |
| Operating income (loss) | | (377,411) |
| Non-operating revenues (expenses) | | |
| Interest expense | | (112,727) |
| Other non-operating revenues | | 41,267 |
| Total non-operating revenues (expenses) | | (71,460) |
| Income (loss) before contributions | | (448,871) |
| Contributions | | |
| Special purpose local option sales taxes transferred from Rabun County | | 3,869,362 |
| Total contributions | | 3,869,362 |
| Change in net position | | 3,420,491 |
| Total Net Position, Beginning of Year | | 12,751,006 |
| Cumulative effect of change in accounting principle | | (43,801) |
| Total Net Position, Beginning of year, as adjusted | | 12,707,205 |
| Total Net Position, End of Year | $ | 16,127,696 |

The accompanying notes are an integral part of this statement

## RABUN COUNTY WATER AND SEWER AUTHORITY
## STATEMENT OF CASH FLOWS
## PROPRIETARY FUND
## Year Ended JUNE 30, 2024

| | | |
|---|---|---|
| Cash flows from operating activities | | |
| Receipts from customers and users | $ | 3,516,912 |
| Payments to suppliers | | (1,450,093) |
| Payments to employees | | (1,587,572) |
| Net cash provided by (used in) operating activities | | 479,247 |
| Cash flows from capital and related financing activities | | |
| Acquisition and construction of capital assets | | (740,635) |
| Interest paid | | (119,285) |
| Proceeds from issuance of long-term debt | | 800,000 |
| Principal payments on long-term debt | | (165,446) |
| Principal payments on debt related to City of Clayton Consolidation | | (2,700,000) |
| Proceeds from the City of Clayton Consolidation | | 2,700,000 |
| Net cash provided by (used in) capital and related financing activities | | (225,366) |
| Net increase (decrease) in cash and cash equivalents | | 253,881 |
| Cash and cash equivalents at beginning of year | | 14,883 |
| Cash and cash equivalents at end of year | $ | 268,764 |
| Cash and cash equivalents shown on Statement of Net Position | | |
| Cash and cash equivalents | $ | 250,914 |
| Cash restricted - revenue bond construction | | 17,850 |
| Total cash and cash equivalents | $ | 268,764 |

CONTINUED...

The accompanying notes are an integral part of this statement

## RABUN COUNTY WATER AND SEWER AUTHORITY
## STATEMENT OF CASH FLOWS
## PROPRIETARY FUND
## Year Ended JUNE 30, 2024

...CONTINUED

| | | |
|---|---|---|
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities | | |
| Operating income (loss) | $ | (377,411) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities: | | |
| Other non-operating revenues | | 41,267 |
| Depreciation | | 845,659 |
| (Increase) decrease in accounts receivable | | (418,626) |
| (Increase) decrease in due from other governments | | 121,426 |
| (Increase) decrease in prepaid expense | | (8,138) |
| Increase (decrease) in accounts payable | | (12,202) |
| Increase (decrease) in accrued expenses | | 20,920 |
| Increase (decrease) in compensated absences | | 34,781 |
| Increase (decrease) in due to other governments | | 231,571 |
| Total Adjustments | | 856,658 |
| Net cash provided by (used in) operating activities | $ | 479,247 |
| Supplemental Information about non-cash activities: | | |
| Amortization of bond premium | $ | 6,558 |
| Capital contributed from Rabun County | $ | 1,169,362 |

The accompanying notes are an integral part of this statement

**Rabun County Water and Sewer Authority**
**NOTES TO FINANCIAL STATEMENTS**
**JUNE 30, 2024**

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Rabun County Water and Sewer Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

### REPORTING ENTITY

The Rabun County Water and Sewer Authority is the basic level of government that has oversight responsibility and control over all activities related to water and sewerage systems in Rabun County, Georgia. The Authority receives most of its operating revenues from sales of water service and connection fees. The Authority receives the rest of the funding from local and state government sources and must comply with the requirements of these funding entities. The Authority is comprised of nine representatives appointed by the governing authorities as follows: two each from Rabun County and the City of Clayton, one each from the Cities of Tiger, Mountain City, Dillard, Tallulah Falls, and Sky Valley.

### CITY OF CLAYTON WATER & SEWER CONSOLIDATION

On September 28, 2023, the Authority entered into an agreement with the City of Clayton to consolidate all water and sewer infrastructure so that the consolidated facilities and associated services be owned, operated, administered, maintained, and improved by the Authority and be the sole provider of water and sewer services within the City of Clayton's service area. The agreement transferred the infrastructure and the debt outstanding by the City of Clayton to the Authority. The Authority received SPLOST funding from Rabun County to pay off the aforementioned debt and to assist in the operations of the new assets into the foreseeable future.

The purpose the transfer was to consolidate service offerings within Rabun County. The value of the assets transferred were recorded at the aquisition value as of the consolidation. The consolidation has an impact to several parts of the financial statements, including increased cash flows from prior years due to the increase in customers the Authority now serves. Additional personnel costs are associated with the larger customer base and will add additional expenses to the Authority. Assets control by the Authority have increased due to the new infrastructure. Customer deposits and accounts receivable have seen large increases as well due to the change in customer base. The effect of the increased service activity due to the consolidation will continue in the years to come.

GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS

Because the Authority is a special-purpose government engaged only in business type activities, it is not required to present a statement of activities to comply with the provisions of GASB Statement 34.

FUND ACCOUNTING

The Authority uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

The Authority has one fund, which is a proprietary (enterprise) fund.

Proprietary funds are used to account for operations (a) that are financed and operated in a manner similar to the private sector - where the intent of the governing body is that the expenses, including depreciation of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

CHANGE IN ACCOUNTING PRINCIPLE

In fiscal year 2024, the Authority implemented GASB Statement No. 101, "*Compensated Absences*" and as a result recognized a change in accounting principle as of July 1, 2023 in order to retroactively report the change to the earliest period reported.

GASB Statement No. 101 enhances the relevance and consistency of information about governments' compensated absences. It establishes requirements for liability accounting for paid leave and supersedes GASB 16. These changes were incorporated in the Authority's 2024 financial statements and had an effect on the beginning net position of the enterprise fund.

The implementation of GASB Statement No. 101 and change in accounting principle had the following effect on net position as of July 1, 2023:

| | |
|---|---|
| Net Position, July 1 | $ 12,751,006 |
| Compensated absences | (43,801) |
| Change in accounting principle | (43,801) |
| Ending Restated Net Position, July 1 | $ 12,707,205 |

BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Proprietary funds are accounted for on a flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the Authority are charges to customers for sales and services. Operating expenses for the Authority include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use the restricted resources first, then unrestricted resources as they are needed.

BUDGETS

The Authority is not legally required to adopt a budget. However, the Authority Board has approved an annual operating budget for planning, control, and evaluation purposes.

CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash includes amounts in demand deposits. Cash equivalents include those investments that have an initial maturity of three months or less.

State statutes authorize the government to invest in obligations of the U.S. Treasury and of its agencies and instrumentalities; bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; certificates of deposits of banks insured by FDIC; the State of Georgia Local Government Investment Pool (Georgia Fund 1); repurchase agreements; and bonds, debentures, notes or other evidence of indebtedness of any solvent corporation subject to certain conditions.

Investments are reported at fair value as of the balance sheet date. Increases or decreases in fair value during the year are recognized as part of investment income.

RESTRICTED ASSETS

Certain proceeds of the Authority's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 2024, are recorded as prepaid items.

BOND AND LOAN ISSUANCE COSTS, PREMIUMS, AND DISCOUNTS

Premiums and discount are deferred and amortized over the lives of the bonds and loans on a straight-line basis, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Amortization costs for the fiscal year 2024 were $6,559. None of these costs were capitalized in fiscal year 2024.

COMPENSATED ABSENCES

It is the Authority's policy to permit employees to accumulate earned but unused Paid Time Off (PTO) benefits. In accordance with the provisions of Statement of Governmental Accounting Standards No. 101, "*Compensated Absences*," a liability is reported for leave attributable to services already rendered and will more likely than not to be used for time off or otherwise paid in cash or settled though noncash means.

# Rabun County Water and Sewer Authority
# NOTES TO FINANCIAL STATEMENTS
# JUNE 30, 2024

## USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, in the proprietary fund of the Authority are recorded at historical cost. The Authority defines capital assets as assets with an initial, individual cost of $5,000 and an estimated useful life in excess of five years. Capital assets donated to these proprietary fund type operations are recorded at their estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Capital assets are depreciated in the proprietary funds of the government using the straight-line method over the following estimated useful lives:

| | |
|---|---|
| Buildings & Improvements | 15-30 Years |
| Infrastructure | 40 Years |
| Machinery and Equipment | 5-15 Years |
| Vehicles | 5 Years |

## NET INVESTMENT IN CAPITAL ASSETS

The "net investment in capital assets" reported on the statement of net position is calculated as follows:

| | | |
|---|---|---|
| Net investment in capital assets: | | |
| Cost of capital assets | $ | 27,894,263 |
| Accumulated depreciation | | (8,738,957) |
| Book value | | 19,155,306 |
| Financed purchases | | (53,667) |
| Revenue bonds related to capital assets | | (2,280,263) |
| Notes payable related to capital assets | | (800,000) |
| Net investment in capital assets | $ | 16,021,376 |

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority does not have any types of items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any types of items that qualify for reporting in this category.

## NOTE 2 - DEPOSITS AND INVESTMENTS

The goal of the Authority in investing is to obtain a reasonable return on investments with a minimum exposure to potential loss of capital due to market fluctuations.

INTEREST RATE RISK

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest roles.

CREDIT RISK

The Authority has no investment policy that would further limit its investment choices.

CONCENTRATION OF CREDIT RISK

The Authority places no limit on the amount it may invest in any one issuer.

CUSTODIAL CREDIT RISK - DEPOSITS

In case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. The Authority's policies permit it to exceed the FDIC insured limit in making deposits in commercial banks and savings and loans institutions if the funds are otherwise adequately secured.

As of June 30, 2024, these deposits were fully insured and collateralized.

Depositories may secure deposits of public funds using the dedicated method or the pooled method as described below:

> Under the *dedicated method*, a depository shall secure the deposits of each of its public depositors separately. State statutes require collateral pledged in the amount of 110% of deposits.
>
> Under the *pooled method*, a depository shall secure deposits of public bodies which have deposits with it through a pool of collateral established by the depository with a custodian for the benefit of public bodies having deposits with such depository as set forth in code Section 45-8-13.1. State statutes require collateral pledged in the amount of 110% of deposits under the single bank pooled method or at least 100% of amounts greater than 20% of the daily pool balance held by any one covered depository under the multibank pooled method.

The Authority utilized the dedicated method to secure deposits of public funds.

## NOTE 3 - CUSTOMER DEPOSITS

Customer deposits are amounts paid by customers to guarantee their payment of water bills.

## NOTE 4 - RECEIVABLES

Trade receivables as of year-end are summarized below.

| | |
|---|---|
| Receivables: | |
| Accounts | $ 913,919 |
| Total gross receivables | 913,919 |
| Less: allowance for uncollectibles | (18,257) |
| Total net receivables | $ 895,662 |

## Rabun County Water and Sewer Authority
## NOTES TO FINANCIAL STATEMENTS
## JUNE 30, 2024

### NOTE 5 - CAPITAL ASSETS

Capital asset activity for the period ended June 30, 2024 was as follows:

| | Beginning Balance | Addition(s) | Retirements | Transfers & Adjustments | Ending Balance |
|---|---|---|---|---|---|
| Business-type activities | | | | | |
| Non-depreciable assets: | | | | | |
| Land | $ 195,367 | $ 132,701 | $ - | $ - | $ 328,068 |
| Total non-depreciable capital assets | 195,367 | 132,701 | - | - | 328,068 |
| Depreciable assets: | | | | | |
| Buildings | 3,977,292 | 108,412 | - | - | 4,085,704 |
| Infrastructure | 18,152,588 | 3,876,550 | - | - | 22,029,138 |
| Vehicles | 252,706 | - | - | - | 551,303 |
| Machinery and equipment | 716,109 | 193,736 | (9,795) | - | 900,050 |
| Total depreciable capital assets | 23,098,695 | 4,178,698 | (9,795) | - | 27,566,195 |
| Less accumulated depreciation for: | | | | | |
| Buildings | (1,430,774) | (129,235) | - | - | (1,560,009) |
| Infrastructure | (5,939,511) | (550,728) | - | - | (6,490,239) |
| Vehicles | (188,050) | (69,891) | - | - | (257,941) |
| Machinery and equipment | (344,759) | (95,804) | 9,795 | - | (430,768) |
| Total accumulated depreciation | (7,903,094) | (845,658) | 9,795 | - | (8,738,957) |
| Total depreciable capital assets, net | 15,195,601 | 3,333,040 | - | - | 18,827,238 |
| Business-type capital assets, net | $ 15,390,968 | $ 3,465,741 | $ - | $ - | $ 19,155,306 |

### NOTE 6 - NOTES FROM DIRECT BORROWINGS/LONG-TERM DEBT

Long-term liability activity for the period ended June 30, 2024, was as follows:

| | Balance June 30, 2023 | Increase | Decrease | Balance June 30, 2024 | Due within one year | Due in more than one year |
|---|---|---|---|---|---|---|
| Revenue bonds from direct borrowings: | | | | | | |
| Revenue Bonds | $ 2,335,000 | $ - | $ (140,000) | $ 2,195,000 | $ 145,000 | $ 2,050,000 |
| For issuance premiums and discounts | 91,822 | - | (6,559) | 85,263 | 6,559 | 78,704 |
| Total revenue bonds from direct borrowings | 2,426,822 | - | (146,559) | 2,280,263 | 151,559 | 2,128,704 |
| Notes from direct borrowings: | | | | | | |
| Notes from direct borrowings | - | 1,000,000 | (200,000) | 800,000 | 200,000 | 600,000 |
| Financed Purchases | 79,113 | - | (25,446) | 53,667 | 26,714 | 26,953 |
| Total notes from direct borrowings | 79,113 | 1,000,000 | (225,446) | 853,667 | 226,714 | 626,953 |
| Compensated Absences | 43,801 | 78,582 | (43,801) | 78,582 | 31,433 | 47,149 |
| Total long-term liabilities | $ 2,549,736 | $ 1,078,582 | $ (415,806) | $ 3,165,363 | $ 409,706 | $ 2,755,657 |

## REVENUE BONDS FROM DIRECT BORROWINGS

The Authority issues bonds where the Authority pledges income derived from the acquired or constructed assets to pay debt service.

During 2015, the Authority issued $3,055,000 of Series 2015 revenue bonds to provide funds to refinance three debt issues of the Clayton-Rabun County Water and Sewer Authority through an intergovernmental contract with Rabun County. These bonds, which bear interest rates from 2.0% to 4.0%, mature January 1, 2037. The outstanding balance on the 2015 bonds as of June 30, 2024 was $2,195,000.

The scheduled payments of principal and interest for all bonds payable are as follows:

| For year ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 145,000 | $ 83,300 | $ 228,300 |
| 2026 | 145,000 | 78,950 | 223,950 |
| 2027 | 155,000 | 73,875 | 228,875 |
| 2028 | 150,000 | 68,450 | 218,450 |
| 2029 | 160,000 | 60,400 | 220,400 |
| 2030-2034 | 920,000 | 217,200 | 1,137,200 |
| 2035-2037 | 520,000 | 40,800 | 560,800 |
| Total | $ 2,195,000 | $ 622,975 | $ 2,817,975 |

## PLEDGED REVENUES

Rabun County Water and Sewer Authority has pledged future water and sewer revenues, net of specified operating expenses, to repay an original debt of $3 million. This debt is payable solely from water and sewer net revenues and is payable through 2037. The total principal and interest remaining to be paid is $2.8 million. Principal and interest paid for the current year was $219 thousand which was approximately 46.7% of net revenues. Rabun County did not provide a subsidy to assist in making these payments.

## INTERGOVERNMENTAL PAYABLE

On September 28, 2023, the Authority entered into an intergovernmental agreement with the City of Clayton to consolidate water and sewer infrastructure. As part of this consolidation, the Authority agreed to pay $1,000,000 to the City of Clayton, made in annual payments of $200,000 and bearing no interest. The outstanding balance on the intergovernmental note payable as of June 30, 2024 was $800,000.

The scheduled payments of principal and interest are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 200,000 | $ - | $ 200,000 |
| 2026 | 200,000 | - | 200,000 |
| 2027 | 200,000 | - | 200,000 |
| 2028 | 200,000 | - | 200,000 |
| Total | $ 800,000 | $ - | $ 800,000 |

FINANCED PURCHASES

The Authority purchases certain equipment under non-cancelable finance agreements. The agreements relate to equipment for water and sewer usage. The finance purchases are for a Deere Skidsteer and Deere Excavator. Ownership of the related asset will be transferred to the Authority at the end of the finance term.

The scheduled payments of principal and interest are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 26,714 | $ 1,979 | $ 28,693 |
| 2026 | 26,953 | 648 | 27,601 |
| Total | $ 53,667 | $ 2,627 | $ 56,294 |

LINE OF CREDIT

As of June 30th, 2024, the Authority has an unused line of credit with a limit of $100,000.

NOTE 7 - CONTINGENCIES AND COMMITMENTS

The Authority is occasionally a defendant in various lawsuits. At June 30, 2024, there were no outstanding lawsuits that would have a material adverse effect on the financial condition of the Authority.

NOTE 8 - RISK FINANCING ACTIVITIES

The Authority is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases worker's compensation insurance from a commercial insurance company.

The Authority contracted with Allied World Specialty Insurance Company to purchase combined automobile, crime, liability and property insurance. The deductible is determined by type of claim, however $2,500 is the maximum deductible for any claim.

The following is a summary of coverage at June 30, 2024:

| | | | |
|---|---|---|---|
| Umbrella excess liability protection | $ | 2,000,000 | per occurrence/aggregate |
| General liability | $ | 3,000,000 | aggregate |
| Products and completed work | $ | 3,000,000 | aggregate |
| Personal injury | $ | 1,000,000 | per person |
| Automobile Liability | $ | 1,000,000 | per occurrence |
| Public entity employment liability | $ | 1,000,000 | per occurrence |
| Sewer backup and premises damage | $ | 1,000,000 | per occurrence |
| Cyber liability | $ | 100,000 | per occurrence |

The Authority has no outstanding claims in excess of coverage for which a liability should be recorded as of June 30, 2024.

Settled claims in the past three years have not exceeded the coverages.

NOTE 9 - RETIREMENT PLANS

DEFINED CONTRIBUTION PENSION PLAN

Effective November 21, 2014, the Authority, by resolution, adopted the AXA Equitable Retirement Gateway 401A, which operates in conjunction with the Deferred Compensation Plan discussed in NOTE 10. The Authority has the ability to amend the adoption agreement to change the contribution requirements and other matters related to the plan. The plan issues a stand alone report; it may be obtained from: AXA Equitable Life Insurance Company, 1290 Avenue of the Americas, New York, New York 10104.

Any employee can participate. Employees may contribute to the plan and the Authority matches up to 3% of the employee's salary. The Authority's match vests at the rate of 20% per year and are fully vested in 5 years.

The employee contribution for fiscal year 2024 was $52,904 and the Authority matching contribution was $19,933.

## NOTE 10 - DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Because the assets are held in trust for the employees, they are not assets of the Authority and are not reported in these financial statements.

## NOTE 11 - SUBSEQUENT EVENT DISCLOSURE

The Authority has been approved for a loan from the Georgia Environmental Finance Authority (GEFA) to finance the cost of construction and other costs associated with the Wolfork Water Main project. Per the agreement, GEFA will provide $1,800,000 in financing for the infrastructure project which is due to be completed in fiscal year 2025.

The Authority received infrastructure related to the Redundancy Water Project and paid from Special Purpose Local Option Sales Taxes from Rabun County after the 2024 fiscal year end. These assets are valued at $2,878,870 and will be recognized in the fiscal year 2025 financial statements for the Authority.

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# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

December 19, 2024

To the Members of the Board
Rabun County Water and Sewer Authority
Clayton, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Rabun County Water and Sewer Authority, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Rabun County Water and Sewer Authority's basic financial statements, and have issued our report thereon dated December 19, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Rabun County Water and Sewer Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rabun County Water and Sewer Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rabun County Water and Sewer Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies.

***Statement of Condition 2024-001 (Re-issued):***
During fieldwork, we noted that inventory tracking had not been implemented and the client was unable to provide an accurate listing and count of inventory of water meters and related supplies on hand at June 30, 2024.

***Criteria:***
To ensure accurate inventory counts, inventory should be tracked and kept up with on a regular basis by the Authority.

***Effect of Condition:***
The risk of misappropriation of assets on hand.

***Cause of Condition:***
The Authority expenses all material purchases and an inventory listing of purchases on-hand, including location, is not maintained.

***Recommendation:***
We recommend the Authority implement regular inventory counts and tracking of inventory internally.

***Response:***
A building was constructed near the Stekoa Creek Wastewater facility in Clayton to house inventory. This building will allow a thorough tracking location and mechanism for inventory of the RCWSA.

***Statement of Condition 2024-002:***
During fieldwork, we noted that the Authority incurred a liability due to the City of Clayton in the course of the infrastructure consolidation which was not recorded in the General Ledger.

***Criteria:***
In order to accurately present the Authority's financial position, all liabilities should be recorded.

***Effect of Condition:***
Liabilities are understated.

***Cause of Condition:***
The Authority did not record the effect of the consolidation with the City of Clayton to the general ledger.

***Recommendation:***
We recommend the Authority implement controls to identify and record noncash transactions.

***Response:***
The RCWSA will be more diligent in recording transactions in the general ledger.

***Statement of Condition 2024-003:***
During fieldwork, we noted that a significant adjustment was necessary to properly accrue accounts receivable for the outstanding bills owed by customers at year end.

***Criteria:***
To ensure that revenue is properly stated, all accruals of account receivable should be in the books.

***Effect of Condition:***
Revenue is understated and net income then becomes understated.

***Cause of Condition:***
The Authority did not accrue the services rendered for utility services.

***Recommendation:***
We recommend that the authority periodically updates account receivable for customer bills still outstanding.

***Response:***
The RCWSA will be more diligent in reporting accounts receivable.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Rabun County Water and Sewer Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described above.

**Rabun County Water and Sewer Authority's Response to Findings:**

The Rabun County Water and Sewer Authority's responses to the findings identified in our audit are described above. The Rabun County Water and Sewer Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bates, Carter & Co., LLP